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FEDERAL COMMUNICATIONS COMMISSION
WASHINGTON
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FEDERAL COMMUNICATIONS COMMISSION
OFFICE OF THE SECRETARY

Honorable John Breaux
United States Senate
516 Hart Senate Office Building
Washington, DC 20510

Dear Senator Breaux:

Thank you for your letter expressing concern about how our new rate regulations may affect small cable operators.

On August 10, 1993, the Commission granted a temporary stay of the rate regulations for small systems with 1,000 or fewer subscribers (see enclosure) and initiated a Further Notice of Proposed Rule Making to examine the burdens on small cable systems. Your comments will be placed in the record of this proceeding.

In addition, I wish to reiterate my own concerns about the regulatory impact of the 1992 Cable Act on small cable systems, especially those not affiliated with any MSO. I have directed the staff to explore a number of alternatives designed to alleviate the burdens that would otherwise be imposed on small systems to insure they remain a viable part of the telecommunications infrastructure. I assure you that the Commission is making every effort to minimize any negative repercussions for small operators resulting from re-regulation, within the bounds of the discretion provided to us by the Act itself.

Sincerely,

James H. Quello
Chairman

Enclosure

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LOUISIANA

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Mr. James H. Quello, Chairman
Federal Communications Commission
1919 M Street, Northwest, Rm 802
Washington, D.C. 20554

Dear Chairman Quello:

Recently, I had the pleasure of conferring with a group of small cable television system operators in my office. Several of them were Louisiana constituents or owner/operators of stations that serve Louisianans. They were concerned about the FCC's commitment to the implementation of Section 623(i) of the 1992 Cable Act.

That section of the Act, as you know, requires that the Commission "Develop and prescribe cable rate regulations that reduce the administrative burdens and costs of compliance for cable systems that have 1,000 or fewer subscribers." In general, small system operators make a good case for the immediate implementation of this provision.

They point out, for example, that the FCC's "benchmarks" rate regulatory scheme would require every system, even those with less than 50 subscribers, to comply. The order itself is more than 500 pages, and its compliance instructions and forms take up to 50 pages. They note that FCC staff required an hour or more in efforts to explain the procedures, and argue that they do not have the in-house manpower or the resources to maintain expensive compliance assistance expertise.

I am sure that the Commission can verify claims that "small, rural systems by definition have fewer subscribers across which to spread common costs. These systems also tend to have many fewer subscribers per mile than larger systems to absorb the costs of distribution facilities. ... [S]mall systems, therefore, have tended to operate either at a loss or at a very small margin of profitability."

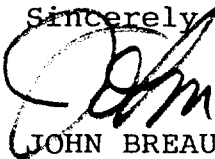
In keeping with the intent of the Act to primarily benefit consumers, I believe that the FCC has a broad mandate in Section 623(i) to grant regulatory exceptions for systems with 1,000 or less subscribers where rural and small cable TV system viewers as well as system operators will benefit. If the operating

differentials of small systems versus the larger ones are as substantial as I understand them to be, without substantial relief, some of the smaller operations are likely to fail.

To the extent of its resources, I urge the Commission to move swiftly and effectively to develop a regulatory regime that evaluates and respects the particular circumstances of small cable TV systems.

Finally, I want you to know that I recognize that the Commission is making highly commendable efforts to meet its ever-increasing responsibilities with fewer and fewer resources. In the Senate I will continue to support efforts to fully meet the Commission's resource needs to ably carry out its expanding mission.

Sincerely,

A handwritten signature in dark ink, appearing to read "John Breaux", is written over the word "Sincerely,".

JOHN BREAU

United States Senator